

Washington, DC – Yesterday, Congressman Joe Sestak (PA – 07) voted for the Taxpayer Assistance & Simplification Act (HR 5719), which repeals the authority of the Internal Revenue Service (IRS) to enter into contracts with private collection agencies to collect outstanding taxes. The bill also eliminates a requirement that individuals maintain cell phone records in order to claim deductions and ensures that the recipients of government-funded home care services are not responsible for paying employment taxes. — Furthermore, the measure takes steps to prevent “phishing” and other scams; expands outreach for the Earned Income Tax Credit; authorizes funding for low-income tax assistance programs; requires the IRS to notify taxpayers if it believes they have been the victims of identity theft; and bars the IRS from providing certain information to companies offering advance refund loans determined to be predatory.

The bill passed 238 – 179.

“I support this legislation as it simplifies and streamlines processes related to filing and collecting taxes under a pay-as-you-go system,” said Congressman Sestak. “From ensuring that predatory collection agencies are kept away from taxpayers to eliminating employment tax provisions for those in home-care, this bill makes the process less burdensome for our taxpayers.”

Specific provisions of the bill address:

Modification of penalty on understatement of taxpayer’s liability by tax return preparer.

The bill would conform the penalty standards for return preparers with the standards for taxpayers. For undisclosed positions, the penalty standard for return preparers is reduced to substantial authority. For disclosed positions, a return preparer generally must have a reasonable basis for the position. For positions involving tax shelters and certain reportable transactions, a return preparer must have a reasonable belief that the position would more likely than not be sustained on the merits.

Removal of cell phones (or similar telecommunications equipment) from listed property.

The bill would eliminate the special requirements for individuals to keep detailed records of calls made on employer provided cell phones to substantiate business use of such devices.

Delay of application of withholding requirement on certain governmental payments for goods and services.

The bill would delay for one year the imposition of a three percent withholding requirement on government payments for goods and services made after December 31, 2010.

Elderly and disabled individuals receiving in home care under certain government programs not subject to employment tax provisions.

The bill would make the administrators of state and local government programs liable for paying the employment taxes on amounts paid by government programs to in home care workers provided to elderly and disabled persons. The bill would not apply to amounts paid by elderly and disabled individuals to home care workers.

Referrals to low income taxpayer clinics permitted.

The bill would allow IRS employees to refer taxpayers needing assistance with tax cases to qualified low income taxpayer clinics.

Programs for the benefit of low income taxpayers.

The bill would authorize an annual \$10 million grant for Volunteer Income Tax Assistance ("VITA") programs. The bill also would increase the annual aggregate limitation authorized on grants to qualified low income taxpayer clinics to \$10 million.

Earned Income Tax Credit (EITC) outreach.

The bill would require the IRS, to the extent possible, to notify taxpayers of potential eligibility for the credit for all open tax years. It would also require the IRS to notify those who have not filed a return but may be eligible for the credit based on other return or return information.

Prohibition on IRS debt indicators for predatory refund anticipation loans.

The bill would prohibit the Secretary of Treasury (e.g., IRS) from providing debt indicators to private parties if it is determined that the resulting refund anticipation loan plus related fees are predatory.

Study on delivery tax refunds.

The bill would require a one year study by Treasury of the feasibility of providing tax refunds on debit cards.

Extension of time for return of property for wrongful levy.

The bill would increase the time from nine months to two years for returning property that has been wrongfully levied and the period for bringing action for wrongful levy.

Individuals held harmless on wrongful levy, etc., on individual retirement plan.

The bill would allow an individual to contribute back to an IRA amounts that were levied and returned by the IRS (and interest if applicable) within 60 days without the normal limitations on IRA contributions.

Taxpayer notification of suspected identity theft.□

The bill would require the Secretary of Treasury (e.g., the IRS), to the extent permitted by law, to notify taxpayers if it determines that there may have been an unauthorized use of the identity of a taxpayer or the taxpayer's dependent.

Repeal of authority to enter into private debt collection contracts.□

The bill would repeal the IRS's statutory authority to use private debt collection companies to locate and contact taxpayers owing federal taxes and to arrange payment of such taxes.

Clarification of IRS unclaimed refund authority.

The bill would provide that the IRS may disclose taxpayer identity information, for unclaimed refund notification purposes, by any "means of mass communication," which would include on the website

Prohibition on misuse of Department of the Treasury names and symbols.□

The bill would clarify that Internet domain names using the Department of Treasury and associated agencies (e.g., IRS.com, IRS.net, IRS.org) are misleading within the meaning of law, and clarify that mass Internet email communications ("phishing") that mislead the public into believing the sender is the IRS are subject to the higher civil/criminal penalties available under current law (i.e., \$25,000/\$50,000).

Substantiation of amounts paid or distributed out of health savings accounts.

The bill would provide that distributions from a health savings account for qualified medical expenses would be excluded from gross income only to the extent substantiated. The bill also would require trustees to report expenses not substantiated.

Certain domestically controlled foreign persons performing services under contract with United States government treated as American employers.

The bill generally would treat foreign subsidiaries of U.S. companies performing services under a U.S. government contract as American employers for employment tax purposes. The domestic parent would be jointly liable for employment taxes imposed on the foreign subsidiary.

Time for payment of corporate estimated tax payment.

The bill would temporarily increase, for three months in 2013, required estimated tax payments for certain large corporations.

Born and raised in Delaware County, former 3-star Admiral Joe Sestak served in the Navy for 31 years and now serves as the Representative from the 7th District of Pennsylvania. He led a series of operational commands at sea, including Commander of an aircraft carrier battle group of 30 U.S. and allied ships with over 15,000 sailors and 100 aircraft that conducted operations in Afghanistan and Iraq. After 9/11, Joe was the first Director of "Deep Blue," the Navy's anti-terrorism unit that established strategic and operations policies for the "Global War on Terrorism." He served as President Clinton's Director for Defense Policy at the National Security Council in the White House, and holds a Ph.D. in Political Economy and Government from Harvard University. According to the office of the House Historian, Joe is the highest-ranking former military officer ever elected to the Congress.